

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY RURAL ELECTRIC	)	
COOPERATIVE CORPORATION FOR AN	)	CASE NO.
ADJUSTMENT OF RATES	)	2005-00125

SECOND DATA REQUEST OF COMMISSION STAFF TO  
BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION

Big Sandy Rural Electric Cooperative Corporation ("Big Sandy") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before July 1, 2005. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. The Commission's May 24, 2005 Order in Case No. 2004-00468<sup>1</sup> authorized Big Sandy to transfer to base rates those fuel costs (as adjusted for line-loss) rolled into the base rates of East Kentucky Power Cooperative, Inc., Big Sandy's wholesale power supplier. Since Big Sandy's energy charges and its charges for yard and security lights were changed by this Order, provide updated schedules for all exhibits affected by the authorized fuel cost roll-in.

2. Provide electronic copies of the spreadsheets (updated for the fuel cost roll-in) contained in Exhibits G and J of the Application. A CD Rom will be acceptable.

3. Refer to Exhibit G, page 2, of the Application, in which Big Sandy states, "Based on the cost of service study, the yard and security lights were all allocated an increase of 10%." Provide the page number(s) from the cost-of-service study ("COSS") which contain the cost justification supporting a 10 percent increase for Schedule YL-1.

4. Refer to Exhibit K of the Application, page 4 of 4, lines 9 and 10.

a. Explain the reason(s) for the significant reduction in margins for 2004.

b. Explain the reason(s) for the increased level of margins for 2001 and the decreased level for 2002.

5. Refer to Exhibit L of the Application, page 4 of 4. Explain the reference "Construction projects not financed with long-term debt." Include a description of these projects and explain why long-term debt financing was not utilized for the projects.

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<sup>1</sup> Case No. 2004-00468, An Examination of the Application of the Fuel Adjustment Clause of Big Sandy Rural Electric Cooperative Corporation from November 1, 2002 to October 31, 2004.

6. Refer to Exhibit P of the Application, page 5 of 10. The article contains a reference implying there is “an extensive annual audit” performed by the Commission and the Rural Utilities Service (“RUS”) and a reference to the “PSC’s annual audit.”

a. Explain the references to an annual audit of Big Sandy performed by the Commission.

b. Does the RUS perform an annual audit of Big Sandy? If yes, provide a copy of the audit report.

7. Refer to Exhibit R of the Application, page 25, the Direct Testimony of James R. Adkins.

a. Mr. Adkins states, “Full recognition is given to the fact that the current consumer charge (for Schedule A-1) of \$7.00 per month is significantly less than full cost and Big Sandy does not propose to change this rate so as to minimize the impact on low usage consumers in this class.” Provide the full amount of the consumer charge that is supported by the COSS. Include all calculations and workpapers necessary to support the full consumer charge.

b. For Schedule A-2, the consumer charge is proposed to increase from \$10.00 to \$15.00 per month. Referring to Schedule A-2 in his testimony, Mr. Adkins states, “The increase in the consumer charge does not include all the increase required of this rate class.” Provide the full amount of the consumer charge that is supported by the COSS. Include all calculations and workpapers necessary to support the full consumer charge.

8. Refer to Exhibits S and V of the Application. Exhibit S, page 2 of 4 shows the actual test year net margins to be a negative \$330,131. The test year is calendar

year 2004. Exhibit V, page 1 of 3 shows the 2004 net margins to be a negative \$347,303. Explain why two different margins are shown for the same calendar year. Also, indicate which reported net margin is the correct one for calendar year 2004.

9. Refer to Exhibit S of the Application, page 3 of 4. According to this schedule, the only proposed adjustments to operation and maintenance ("O&M") expenses relate to salaries, payroll taxes, depreciation, property taxes, and post-retirement benefit costs. Does the test year level of O&M expenses adequately provide for the repair and upkeep of Big Sandy's distribution system? Explain the response.

10. Refer to Exhibit W of the Application. For each of the accounts listed below, explain the reason(s) for the change in the December balances for the test year and the prior year.

- a. Account No. 362, Station Equipment, page 1 of 9.
- b. Account No. 366, Underground Conduit, page 1 of 9.
- c. Account No. 370, Meters, page 1 of 9.
- d. Account No. 392, Transportation, page 1 of 9.
- e. Account No. 395, Laboratory, page 1 of 9.
- f. Account No. 108.71, Reserve – Structures and Improvements,  
page 2 of 9.
- g. Account No. 108.72, Reserve – Office Equipment, page 2 of 9.
- h. Account No. 131.12, Citizens National, page 3 of 9.
- i. Account No. 136.1, Temporary Investments, page 4 of 9.
- j. Account No. 186.10, Miscellaneous, page 5 of 9.
- k. Account No. 217.10, Retired Gains – Discounts, page 6 of 9.

- l. Account No. 219.30, Prior Year Deficits, page 6 of 9.
- m. Account No. 224.60, Advance Payment, page 6 of 9.
- n. Account No. 228.3, Post-retirement Benefits, page 6 of 9.
- o. Account No. 232.1, Accounts Payable – General, page 6 of 9.
- p. Account No. 232.40, Purchased Power, page 7 of 9.
- q. Account No. 232.60, CFC CTC Payable, page 7 of 9.
- r. Account No. 236.1, Accrued Property Taxes, page 7 of 9.
- s. Account No. 242.20, Accrued Payroll, page 8 of 9.
- t. Account No. 242.30, Vacation, page 8 of 9.

11. Refer to Exhibit X of the Application. For each of the accounts listed below, explain the reason(s) for the change in the “Total” column for the test year and the prior year.

- a. Account No. 427.30, FFB Interest, page 1 of 7.
- b. Account No. 421.10, Gain on Disposition, page 1 of 7.
- c. Account No. 419.00, Interest Income, page 1 of 7.
- d. Account No. 935.00, Maintenance of General Plant, page 2 of 7.
- e. Account No. 427.10, RUS Interest, page 2 of 7.
- f. Account No. 427.20, CFC Interest, page 2 of 7.
- g. Account No. 598.00, Miscellaneous Distribution Plant, page 4 of 7.
- h. Account No. 902.00, Meter Reading, page 4 of 7.
- i. Account No. 903.00, Consumer Records, page 4 of 7.
- j. Account No. 908.00, Consumer Assistance, page 4 of 7.

k. Account No. 588.00, Miscellaneous Distribution Expense, page 5 of 7.

l. Account No. 590.00, Engineering and Supervision, page 5 of 7.

m. Account No. 593.00, Maintenance of Overhead Lines, page 5 of 7.

n. Account No. 593.10, Right-of-Way Maintenance, page 5 of 7.

o. Account No. 593.20, Contract Right-of-Way, page 5 of 7.

p. Account No. 440.10, Residential, page 6 of 7.

q. Account No. 442.10, Small Commercial, page 6 of 7.

r. Account No. 555.00, Purchased Power, page 6 of 7.

s. Account No. 424.40, Patronage Capital – East Kentucky, page 7 of 7.

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t. Account No. 424.10, Patronage Capital, page 7 of 7.

12. Refer to Exhibit Z of the Application, page 1 of 4.

a. Indicate which of Big Sandy's board members is the designated representative to the National Rural Electric Cooperative Association ("NRECA").

b. Indicate which of Big Sandy's board members is the alternate representative to the NRECA and the Kentucky Association of Electric Cooperatives ("KAEC").

13. Refer to Exhibit 1 of the Application, pages 3 through 7 of 7.

a. Explain why the wage rates shown on page 3 of 7 for employees 16, 130, and 136 are \$0.50 per hour higher than the last wage rate shown for those employees on page 5 of 7.

- b. Explain why the wage rate shown on page 3 of 7 for employee 157 is \$0.02 per hour lower than the last rate shown for this employee on page 5 of 7.
- c. Indicate the union employees shown on pages 3 and 4 of 7.
- d. Explain how the wage rate as of January 1, 2005 was determined for all hourly employees.
- e. Explain why the wage rate applied to employees 8, 20, 27, 124, 131, 134, 138, 139, 142, 144, 149, 155, 156, and 159 does not appear to be tied to the effective wage rate identified on page 11 of Exhibit 23 of the Application.
- f. Concerning employees 27, 33, 38, 40, 42, 43, and 142:
  - (1) Explain why the regular normalized wages reflect something other than 2,080 hours.
  - (2) Provide the regular normalized wages for these employees based on 2,080 hours.
- g. Explain how the overtime-normalized wages were calculated for employees 14, 15, 18, 22, 23, 24, 27, 38, 42, 124, 139, 142, and 155.
- h. Explain the nature and purpose of “dispatch” wages. Include in the explanation which employees are eligible for these wages, how the dispatch wages are calculated, and why dispatch wages should be included for rate-making purposes.
- i. Explain the nature and purpose of the vehicle allowance. Include in the explanation which employees are eligible for the allowance, how the allowance is calculated, and why the vehicle allowance should be included for rate-making purposes.
- j. Provide the narrative for footnote number 3, as referenced on page 5 of 7.

k. Describe the current compensation package, including an identification of monetary benefits provided to salaried and non-union employees.

l. Provide a copy of the latest study of the salaried and non-union employees' compensation package.

m. Page 4 of 7 shows five employees retiring during the test year. Does Big Sandy plan to replace these employees? If yes, when? Explain the response.

14. Refer to Exhibit 2 of the Application, page 1 of 3. Provide the Federal Unemployment rates for the same period as shown on lines 44 through 49 of page 1 of 3.

15. Refer to Exhibit 3 of the Application.

a. What was the date of the last update to the depreciation rates and procedures contained in RUS Bulletin 183-1?

b. If it has been more than 5 years since RUS last updated the depreciation rates in Bulletin 183-1, has Big Sandy given any consideration to performing its own depreciation study? Explain the response.

16. Refer to Exhibit 6 of the Application, page 2 of 11. Do either the test year accrual or the annual accrual recommended by the March 2005 actuarial valuation study include amounts for Big Sandy's directors or attorney? If yes, separate the amounts shown on lines 8 through 12 between employees and directors/attorney.

17. Refer to Exhibit 8 of the Application, pages 3 and 4 of 11.

a. Explain why expenses and fees associated with Big Sandy's attorney attending the NRECA and KAEC annual meetings should be included for rate-making purposes.

b. Was Big Sandy aware that in previous electric cooperative rate cases the Commission has not included for rate-making purposes the expenses and fees paid to the cooperative attorney for attendance at the NRECA and KAEC annual meetings? Explain the response.

18. Refer to Exhibit 9 of the Application, pages 2 through 11 of 11.

a. On pages 2 and 3 of 11, explain the purpose of the "Negotiating Committee meeting" and indicate if this is a regularly occurring expense for the board of directors.

b. On page 5 of 11, explain the purpose of "Nominating committee" and indicate if this is a regularly occurring expense for the board of directors.

c. It appears that several of the directors attended the NRECA and KAEC annual meetings during the test year. Explain why Big Sandy paid the expenses for attendance at these annual meetings for directors other than its representative and alternate.

d. Was Big Sandy aware that in previous electric cooperative rate cases the Commission has only included for rate-making purposes the NRECA and KAEC annual meeting expenses for the cooperative representative and alternate? Explain the response.

19. Refer to Exhibit 10 of the Application.

a. Refer to page 2 of 6. Provide the text for the advertising associated with the following payments:

- (1) SIP Broadcasting Company, Check No. 28416.
- (2) WQHY Radio, Check No. 30153.
- (3) WMDJ Radio Station, Check No. 30525.

b. Refer to page 6 of 6. Explain why the following transactions should be included for rate-making purposes:

- (1) Check Nos. 29027 and 29112, shirts for annual meeting.
- (2) Check No. 29032, annual meeting door prize.

c. Was Big Sandy aware that in previous electric cooperative rate cases the Commission has not included expenses associated with give-aways and prizes at the annual meeting for rate-making purposes? Explain the response.

20. Refer to Exhibit 12 of the Application, page 2.

a. Explain whether the average weighted pole costs for two-party poles, three-party poles, and anchors are gross values, or if the costs are net of depreciation.

b. Reconcile the quantities and costs for 35 foot poles, 40 foot poles, and 45 foot poles shown on Exhibit 12, page 2, with the quantities and costs for those same units of property shown in the plant ledger report on Exhibit 12, page 4.

c. The description of Item B(2), line 31, requires clarification. The pole charges, with ground attachments for both two-party poles and three-party poles, should be greater than the pole charges without ground attachments. Explain whether Big Sandy prefers a separate charge for ground attachments, or if the costs for ground

attachments should be included within the pole charges as suggested in the description of Item B(2), "Pole Charge, with ground attachments."

21. Refer to Exhibit 13 of the Application, page 1 of 6. Explain why the calculation for the return check charge does not include recovery of a bank charge.

22. Refer to Exhibit 16 of the Application. Explain why the end of test-year customer adjustment was calculated using a 12-month average rather than the 13-month average that has traditionally been used by the Commission.

23. Refer to Exhibit 21 of the Application.

a. Indicate when Big Sandy made its most recent general payment of capital credits to members.

b. Refer to page 4 of 11, Section II, G.6. Does Big Sandy agree that in order to discount the capital credits paid to deceased members' estates, Big Sandy would need to be making annual general payments of capital credits? Explain the response.

c. Indicate when Big Sandy began the practice of discounting the capital credits paid to its deceased members' estates.

d. Refer to page 6 of 11, Section III, A.2. Provide copies of Big Sandy's most recent long-range financial plan, including the detailed financial plan for the 5-year period.

24. Describe Big Sandy's approach to right-of-way clearance and vegetation management. Include the actual expense for right-of-way clearance and vegetation management for the test year and 4 previous calendar years. If Big Sandy has

contracts currently in effect for right-of-way clearance or vegetation management, provide the current contract costs for these services.

25. In Case No. 2005-00048,<sup>2</sup> Big Sandy indicated to the Commission that it was replacing its current meters with automatic meter reading devices (“AMR”). Provide the following information:

- a. When did Big Sandy initiate the AMR program?
- b. What is the total estimated cost of the AMR program and how many years is it expected to take to implement the program?
- c. What was the expected O&M expense savings related to the program?
- d. What is the actual capital expenditure for the AMR program recorded during the test year?
- e. What was the total cost of meters and other utility plant that was retired or replaced due to the AMR program?
- f. Indicate by account number any expenses recorded during the test year that are associated with the AMR program.
- g. Explain why Big Sandy did not propose any adjustments in this rate case related to the AMR program.

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<sup>2</sup> Case No. 2005-00048, The Application of Big Sandy Rural Electric Cooperative Corporation for Deviation from the Provisions of 807 KAR 5:006, Section 6(5) and 807 KAR 5:041, Section 15(3).



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DATED June 17, 2005

cc: All Parties